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C O N F I D E N T I A L SECTION 01 OF 02 DHAKA 003905

SIPDIS

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TAGS: [ELAB](#) [ETRD](#) [PREL](#) [PGOV](#) [BG](#)

SUBJECT: PETITION TO SUSPEND GSP BENEFITS FOR BANGLADESH

Classified By: A/DCM D.C. McCullough, reason para 1.4 b.

11. (C) Summary. BEPZA's implementation of the 2004 EPZ law has been problematic, and there are cases of serious management mistreatment of workers, but the overall picture is mixed. Therefore, in the absence of "substantial new information warranting further consideration of the issue," we believe it is premature to accept AFL-CIO's new GSP petition. In or out of the petition context, we will continue to monitor and champion worker rights. End Summary.

12. (SBU) On August 10, Solidarity Center (SC) Bangladesh Field Representative Rob Wayss called on Charge to brief her on SC's activities and his perceptions on the implementation of the 2004 freedom of association law in the export process zones (EPZ). A/DCM, laboff, and USAIDOFF sat in.

13. (SBU) Wayss noted that SC's efforts to promote compliance with local wage and hour laws at Bangladeshi garment factories are often controversial here since they can lead to the closure of "bad" factories with the loss of hundreds of jobs. He prefers, he said, to focus on the competitive advantage a "good" factory enjoys in courting foreign buyers. It was "tragic" that 750 workers lost their jobs when one factory lost orders for being non-compliant, he said, but the good news was that those orders migrated to another factory in Bangladesh. Wayss remarked that European buyers are becoming more sensitive to compliance issues, which enhances the pressure and the incentive for reputable Bangladeshi factories to treat workers properly.

14. (SBU) Turning to the EPZ law, he stated there have been serious problems in its implementation. Worker Representation and Welfare Committees (WRWC) election information was often not passed to workers in a timely manner, there are recurring instances where management manipulated and harassed candidates, there was a long delay in registering and therefore effectively activating the WRWC, and no dispute resolution mechanism has been put into place. There is "not a lot of good faith" by management and the Bangladesh Export Processing Zone Authority (BEPZA), which continues to deny allegations of worker harassment or violence against workers, despite significant evidence to the contrary.

15. (SBU) On the other hand, Wayss said, there have been 200 elections, registrations were eventually issued, and BEPZA has "made an effort" to encourage investor adherence to the law. Ultimately, though, BEPZA cannot stand up against determined obstructionist investors and, in the case of one Taiwanese company who had a senior manager deported for violating labor law, threats to deter potential investors from coming to Bangladesh. Other problems are administrative in nature and the novelty of some aspects of the law, like setting up accountable industrial labor relations boards to resolve labor/management disputes. In the context of the long battle to introduce freedom of association in the EPZ, passage of the admittedly imperfect 2004 law was "a monumental step forward," he said.

16. (C) Comment: There have been serious problems with implementation of the 2004 law, including serious mistreatment by management of WRWC candidates and the refusal of management to recognize duly-elected WRWC. Such problems are not surprising, given the strength and wariness of many investors, as well as the administrative and other deficiencies that hamper BEPZA and other BDG regulatory bodies. We will continue to monitor this situation closely, and stress to government, business, and the Bangladeshi public the great importance we attach to worker rights and the introduction of unrestricted freedom of association in the EPZs. We believe we can do this effectively, inside or outside the context of a GSP petition review.

17. (C) We understand that, according to the GSP law, there should be "substantial new information warranting further consideration of the issue" to accept a new petition. In our judgment, BEPZA's performance has been seriously flawed but mixed overall, and implementation trends and the law's impact will not be clearer until November 2006, when EPZ workers have the right to form free trade union associations. If the issue is whether accepting the petition would promote or retard implementation and BDG sensitivity to worker rights, our guess is it could be counter-productive. Senior BDG

ministers have already raised the issue with us as a serious matter, and we know that obstructionist investors are already arguing that deference to USG pressure is pointless because the threat of a new petition violates the spirit of the understanding with AFL-CIO and others that led to the passage of the EPZ law. (In fact, Wayss says (protect), AFL-CIO warned investors there would be a new petition but promised not to push it strenuously.)

18. (C) Thus, our view is that the new GSP petition should not be accepted for consideration.  
CHAMMAS